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LETTER DATED 19 DECEMBER 1990 FROM THE CHAIRMAN OF THE SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990) CONCERNING THE SITUATION BETWEEN IRAQ AND KUWAIT ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

Addendum

Letter dated 18 March 1991 from the Chairman of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait addressed to the President of the Security Council

I have the honour to refer to the letters dated 19 and 21 December 1990, respectively (S/22021 and Add.1), by which the Chairman of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait transmitted to the Security Council the recommendations adopted by the Committee in response to requests for assistance under the provisions of Article 50 of the Charter of the United Nations.

At its 34th meeting, on 13 March 1991, the Committee adopted without objection as further recommendations to be made to the President of the Security Council in pursuance of Security Council resolution 669 (1990) the draft decisions submitted by the Working Group with regard to the Syrian Arab Republic and Djibouti. In accordance with the decision taken at the Committee's 21st meeting and at the request of applicant States, the Committee is transmitting with the relevant recommendation any additional explanatory material provided by those States.

(Signed) Peter HOHENFELLNER
Chairman
Security Council Committee established
by resolution 661 (1990) concerning the
situation between Iraq and Kuwait

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Annex I

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to the Syrian Arab Republic

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communication received from the Syrian Arab Republic under Article 50 of the Charter of the United Nations, a/

Recalling Security Council resolution 661 (1990) of 6 August 1990, in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990, 674 (1990) of 29 October 1990 and 686 (1991) of 2 March 1991,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter,

Noting the information given by the Syrian Arab Republic a/ regarding the measures taken to give full effect to the sanctions as laid down in Security Council resolution 661 (1990), and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the statement of the representative of the Syrian Arab Republic,

Expressing concern at the special economic problems confronting the Syrian Arab Republic as a result of the severance of its economic relations with Iraq and occupied Kuwait, as required by Security Council resolution 661 (1990), which are particularly difficult in terms of commercial and financial losses incurred by the Syrian Arab Republic,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by the Syrian Arab Republic, as well as other States, will support the measures to ensure compliance with paragraph 2 of that resolution,

1. Commends the Government of the Syrian Arab Republic for the measures it has taken to comply with Security Council resolution 661 (1990);

2. Recognizes the urgent need to assist the Syrian Arab Republic in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait, as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Syrian products to

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a/ S/22193.

Iraq and occupied Kuwait, and undelivered Iraqi oil shipments to the Syrian Arab Republic, as well as commercial and financial losses incurred by the Syrian community in Kuwait;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to the Syrian Arab Republic to mitigate the adverse impact on its economy of the application by the Syrian Arab Republic of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions, and the regional development banks, to review their programmes of assistance to the Syrian Arab Republic with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of the Syrian Arab Republic and to report thereon to the Security Council.

Enclosure

STUDY ON THE ECONOMIC DAMAGES AND LOSSES SUFFERED BY THE SYRIAN ARAB REPUBLIC AS A RESULT OF THE GULF CRISIS a/

[Original: Arabic]

INTRODUCTION

The Gulf crisis has had far-reaching effects on the economic and social situation of numerous countries in the region of western Asia and elsewhere in the world. The Syrian Arab Republic is one of the countries of the region which has been adversely affected by this crisis. In addition to the disastrous losses suffered by the members of the Syrian community in Kuwait in regard to their property, business interests and bank balances, the Gulf crisis has entailed substantial losses that have directly affected the State Treasury and a number of industrial institutions and individuals in the Syrian Arab Republic. These overall losses have had direct adverse consequences on the Syrian economy and, by their very nature, will probably have detrimental repercussions in the foreseeable future on a number of the country's production and service sectors.

The purpose of this study, which was prepared by a team of researchers from the United Nations Economic and Social Commission for Western Asia (ESCWA), is to make an objective assessment of the economic losses and damages resulting directly from the Gulf crisis and to evaluate their effects and repercussions.

The research team wishes to express its deep gratitude and appreciation to all the officials and other persons whom it met during the preparation of the study for their sincere cooperation and help, which were highly instrumental in facilitating the completion of the study. The team is particularly grateful to Dr. Muhammad al-Imadi, the Minister of Economy and Foreign Trade, and Mr. Fathi al-Jabban, the Deputy Minister of Economy and Foreign Trade.

Sources of information

An objective assessment of the losses and damages suffered by the Syrian economy as a result of the Gulf crisis basically requires accurate statistics and reliable information. Although this principle has been respected to the greatest possible extent, in some cases the requisite estimates were obtained by indirect means based on deduction and inference. In other cases, hypotheses were adopted as unavoidable options in studies of this type.

With regard to the sources of information needed for purposes of assessment, the team relied on the publications of the Syrian Central Bureau of Statistics, particularly the Statistical Abstract published in 1990. Information was also derived from a number of official authorities in the Syrian Arab Republic,

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a/ S/22193, annex.

particularly the Ministries of Economy and the Interior, the Central Bank and the General Directorate of Customs. In order to obtain supplementary information, meetings were held with the head of the Syrian community in Kuwait, as well as a number of its members in various occupational categories.

Profile of the Syrian community in Kuwait

A certain degree of familiarity with the distinctive characteristics of the Syrian community in Kuwait is essential for an understanding of many of the fundamental concepts on which some of the estimates are based, particularly those derived from hypotheses. This is one of the oldest communities, which first arrived in Kuwait to further that country's development and progress when it began to invest its petroleum resources. Although the Syrian community was neither the numerically largest community in Kuwait nor the largest Syrian expatriate community, it was always characterized by a degree of economic activity that transcended the proportional number of its members in the host State or in their home country. This is obviously due to a number of considerations such as, in particular:

(a) A large proportion of the members of this community were businessmen, large and wealthy contractors owning extensive business enterprises, and craftsmen;

(b) The vast majority of the wage-earners employed by government institutions and private enterprises were highly qualified and skilled workers earning incomes that were relatively high in comparison with those received by the members of other communities;

(c) The members of this community were more closely attached to their home country than Syrian expatriates living in other countries, particularly in Europe and America. This is largely attributable to the fact that many of them left all or some of the members of their family in their home country, in which they owned real estate and property and possibly also had business interests, in addition to Kuwait's proximity to the Syrian Arab Republic.

In fact, these considerations are influential factors that must be taken into account when assessing the losses suffered by the members of the Syrian community in Kuwait, as well as the volume of their transfers and other aspects.

I. LOSSES SUFFERED BY THE MEMBERS OF THE SYRIAN COMMUNITY IN KUWAIT

Information derived from numerous sources indicates that the Syrian community in Kuwait numbered more than 100,000 persons, of whom 50,000 were economically active, the remainder being family members who were not economically active. The losses suffered by these persons were estimated at about $US 9,174 million. This estimate was calculated by dividing the economically active persons into two categories:

Category 1

Comprising 20,000 businessmen, contractors, craftsmen and other self-employed persons. Their losses in respect of their business interests were estimated at about $6,317 million, broken down as follows:

	$ million
Key money and equipment of commercial premises	2 069
Stock	2 207
Commercial vehicles	276
Reduced rates of exchange for deposits and liquid assets	1 282
Debts and lost deposits	345
Miscellaneous (stocks and bonds, etc.)	138

Category 2

Comprising 30,000 persons working for a fixed wage in government institutions or private enterprises. The total losses of the persons included in this category were estimated at about $1,582 million, broken down as follows:

	$ million
Separation from service indemnities	517
Reduced rates of exchange for deposits and liquid assets	962
Lost deposits	103

With regard to residential property and related losses, the losses of both categories were estimated at about $1,275 million, broken down as follows:

	$ million
Furniture, domestic appliances and clothing	1 034
Valuables and jewellery	172
Private vehicles	69

The per capita losses in each category were first estimated in respect of the items listed above and the total was then multiplied by the estimated number of persons who suffered loss. The average estimated per capita value in respect of each type of property or rights was multiplied by the probable proportional loss in value, which was assumed to be in the region of 60-100 per cent (see appendix I).

II. ECONOMIC LOSSES

In addition to the substantial losses suffered by the members of the Syrian community in Kuwait, the crisis has entailed considerable direct losses to the State Treasury and a number of economic enterprises and individuals in the Syrian Arab Republic itself. These aggregate losses have been highly detrimental to the Syrian economy and, by their very nature, are likely to have adverse repercussions on a number of production and service sectors in the foreseeable future. These losses resulted from circumstances brought about by the crisis, particularly:

(a) The cessation of transfers and remittances from Syrians in Kuwait and the reduction in the customary levels of remittances from the other Gulf States;

(b) The non-arrival of summer visitors from Kuwait and the Gulf States and a reduction in the number of persons visiting the Syrian Arab Republic from other countries;

(c) The suspension of Syrian exports to Kuwait and a reduction, to varying degrees, in the volume of exports to the Gulf States and Jordan;

(d) A reduction in the rate of exchange of the Syrian pound against foreign currencies;

(e) A decrease in the volume of goods and passengers passing through the Syrian Arab Republic; the suspension of air traffic between the Syrian Arab Republic and Kuwait; and the resulting decline in the volume of activity at Syrian ports;

(f) The postponement of the implementation of a draft agreement that was to have been concluded between the Syrian Arab Republic and Iraq shortly before the crisis. This agreement provided for the resumption of the pumping of Iraqi oil through the Syrian pipeline to the export terminal at Banias, the supply of quantities of oil at reduced prices to the Syrian Arab Republic, and the reopening of the borders between the two countries. The implementation of this agreement was postponed in view of the Syrian Government's compliance with the United Nations resolutions concerning the embargo on Iraq;

(g) The Syrian Government granted numerous facilities to the Syrians and Kuwaitis arriving from Kuwait, in the form of customs exemptions, enrolment of their children in Syrian schools and universities, etc.

These circumstances have had numerous repercussions on the economic and social situation. Although they are interrelated, their end result can be summarized as follows:

(a) A decline in the country's foreign exchange earnings resulting, as already indicated, from the decline in the transfers and remittances of Syrian expatriates, the reduced income in the tourist sector, the lower volume of exports, the decline in the volume of transit trade and the suspension of the implementation of the oil agreement with Iraq;

(b) The increased cost of Syrian imports of goods and services due to the drop in the exchange rate for the Syrian pound in neighbouring markets;

(c) The reduction in the volume of exports led to a decline in production levels in enterprises that are dependent on Kuwaiti and other Gulf markets for the sale of their products, particularly enterprises in the textile, furnishings and plastics industries;

(d) The decline in the number of summer visitors and tourists led to a reduction in levels of employment in tourist enterprises, particularly restaurants, hotels, tourist resorts and tourist transport services, etc.;

(e) Government service agencies, and particularly educational institutions, were faced with increased expenditure, in addition to the extra burdens placed on the State Treasury due to the exemptions and facilities granted to persons arriving from Kuwait;

(f) The rise in the rates of overt and disguised unemployment, due to the arrival of large numbers of Syrians of working age and the decline in levels of economic activity in many production and service institutions affected by the crisis.

However, in order to study the consequent damages and evaluate their economic effects and repercussions, information is needed concerning the quantitative level of the direct losses. These are reviewed below.

A. Reduction in the value of the transfers and remittances of Syrians abroad

It is difficult to make satisfactory estimates of the transfers received from Syrians abroad and of the extent to which they have declined as a result of the crisis, since these transfers, and particularly the monetary remittances, are routed through various channels. Although most of these channels are lawful, they are in no way subject to statistical monitoring by the official authorities. In accordance with the customary procedures, a Syrian or foreign national arriving in the Syrian Arab Republic has the right to bring into the country an unlimited quantity of national or foreign currency and is not required to declare the amount of Syrian currency that he is carrying, nor is he normally obliged to declare the foreign currency that he is bringing into the country, unless he intends to re-export it, in whole or in part, on his departure or to exchange it at approved State banks.

Consequently, one possible method to estimate the volume of transfers from Syrians abroad is to monitor them by type, use and final destination. With regard to type, transfers take three principal forms:

(a) Transfers in kind, namely the value of the various goods and commodities brought into the country for the personal use of the visitor or his family or as gifts for relatives and acquaintances. The value of this type of transfer can be easily estimated by adopting a hypothetical average value for the items brought into the country by each visiting Syrian expatriate;

(b) Official drafts channelled through approved banks. However, this type of transfer constitutes only a very small proportion of the total transfers and the foreign exchange proceeds normally go to the State agencies concerned;

(c) Monetary remittances brought into the country or sent through third parties. These account for the largest proportion of the total value of transfers. The expatriate normally changes part of these transfers into Syrian currency, usually in the host country or in the markets of neighbouring countries, while retaining the larger part in the form of savings in foreign currency, which he changes as and when needed.

However, regardless of the channels through which the monetary remittances enter the Syrian Arab Republic, it is a well-known fact that, in actual practice, these transfers constitute the basic source of funds to pay for the materials, commodities and equipment imported by the private sector, since the State's current foreign trade policy is based on the principle that the provision of the foreign exchange needed to pay for private-sector imports is the responsibility of the importers themselves. This foreign exchange is obtained from two sources: (a) the proportional foreign exchange value of exports which, under the regulations in force, private-sector exporters are permitted to retain in order to import the raw materials and other production requisites that they need; (b) the foreign exchange that they obtain from the transfers of Syrian expatriates.

Moreover, the monetary transfers and remittances of Syrian expatriates provide, in one way or another, a considerable proportion of the value of public-sector and State imports, since the public sector basically covers the value of its imports from the value of its exports and the State's foreign exchange resources. Part of these resources are derived, either directly or indirectly, from the transfers and remittances of Syrian expatriates, since some public-sector products are sold to the private sector for foreign currency. Various dues and taxes are levied on Syrian expatriates in foreign currency, in addition to the amounts of foreign currency which Syrian expatriates change at approved banks in the Syrian Arab Republic at preferential rates.

Quite apart from the above, reference must be made to the fact that some of the goods and commodities imported into the country are brought in by visitors in the form of transfers in kind from the markets of neighbouring countries and are therefore not covered by the official foreign trade statistics. The greater part of the value of these imports is undoubtedly covered, in one way or another, by the monetary remittances of Syrian expatriates.

Accordingly, the proportional decline in the volume of transfers and remittances from Syrians abroad as a result of the Gulf crisis was estimated on the basis of the following principles and hypotheses.

1. Estimated aggregate value of transfers

(a) If we assume that the proportion of the foreign exchange retained by Syrian exporters under the regulations in force is more or less equivalent to the value of the country's imports that are not covered by the foreign trade statistics, it can be affirmed, fairly reliably, that the volume of the remittances sent by expatriates and their families is equivalent to the total value of private-sector imports from all sources except Kuwait.

(b) Some 25 per cent of the total value of public-sector imports are covered by the foreign exchange derived from the transfers of Syrians abroad.

2. Transfers from Syrians in Kuwait

(a) The Syrian labour force in Kuwait constituted 15 per cent of the total Syrian expatriate labour force. However, the transfers received from the Syrian community in Kuwait amounted to approximately 30 per cent of the total transfers from Syrians abroad. This is attributable to the distinctive characteristics and special circumstances of that community, as already indicated.

(b) The Syrian community in Kuwait accounted for 60 per cent of the total value of the private-sector imports from Kuwait. This assumption is based on the special relationships between the importers and the members of that community.

(c) The expatriates (and their families) retain in their home country an average amount of about $5,600 (approximately KD 1,600) from their monetary remittances in foreign currency.

(d) The average expatriate visits his home country once every year and, on each visit, carries with him goods and commodities, for his own use or to be given as gifts to his family and relatives in the Syrian Arab Republic, amounting to an estimated value of about $2,400 (approximately KD 700).

(e) Transfers from Syrians in Kuwait have been totally suspended and the monetary remittances from the Syrian communities in other countries have declined by 10 per cent.

(f) There has been no change in any of the factors applicable prior to the crisis.

In the light of the above-mentioned principles and hypotheses, the overall decline in the transfers and remittances of Syrians abroad was estimated at about $848 million, broken down as follows:

		$ million
1.	Value of transfers and remittances in cash and in kind from Kuwait	766
	Transfers and remittances used to finance imports	366
	From Kuwait = 15	
	From outside Kuwait = 351	
	Monetary remittances accumulated in the Syrian Arab Republic	280
	Remittances in kind	120
2.	Decline in the value of transfers from other Syrian communities	82

B. Impact of the crisis on the foreign trade sector

The Syrian Arab Republic has preferential trade relations with a number of Gulf States and also with Jordan. Like Iraq, these countries constitute traditional markets for various Syrian products, particularly textiles and foodstuffs. In 1989, the value of Syrian exports to the Gulf States and Jordan amounted to about $310 million. This amount constituted about 62 per cent of the Syrian Arab Republic's total exports to the Arab countries and 10 per cent of the value of its exports to all countries of the world. If we exclude exports to the Soviet Union, the latter figure increases to 16 per cent.

A time-series study of Syrian exports to the Gulf States and Jordan shows that the volume of these exports was increasing every year and was expected to reach a record volume in 1990, particularly after the restoration of normal relations with the Sultanate of Oman. This is substantiated by the fact that the value of Syrian exports to the Gulf States and Jordan had risen to $293 million during the first three quarters of 1990, in spite of the fact that the chronological period to which this figure relates extended two months beyond the commencement of the crisis. At all events, if matters had continued to follow their normal pre-crisis course, the value of Syrian exports to the above-mentioned States would have risen to at least $390 million, i.e., an increase of 26 per cent over and above the figure for 1989.

In fact, the importance of Syrian trade relations with the Gulf States and Jordan is not attributable solely to their relatively high volume: it is noteworthy that the Syrian trade balance with those countries was in the Syrian Arab Republic's favour in a ratio of 3.5 to 1, since the value of Syrian imports from them in 1989 amounted to no more than $91 million.

During the period 1981-1989, the volume of transit trade declined from more than 14 million tonnes to less than 600,000 tonnes as a result of the rupture of relations with Iraq. The volume of such trade had been expected to increase with the resumption of normal relations between the Syrian Arab Republic and Iraq, which were once again broken off due to the crisis.

The circumstances brought about by the Gulf crisis have given rise to damage from the first day of the crisis and will continue to have a detrimental impact on foreign trade. Exports to Kuwait have stopped and exports to Jordan and the Gulf countries have gradually been falling off. This has affected in particular a number of traditional Syrian industries such as textiles, clothing and furnishings, as well as plastics, and foodstuffs such as chicken, eggs, vegetables and fruit. Furthermore, it had been expected that the normalization of relations between the Syrian Arab Republic and Iraq would lead to a record volume of Syrian exports.

On the other hand, the material and psychological conditions arising from the crisis have led to a sudden drop in the exchange rate of the Syrian pound in neighbouring countries of no less than 10 per cent, the unavoidable consequence of which has been a rise in import costs.

Thus, the damage due to the crisis has affected the three components of the foreign trade sector, which are exports, imports and transit. In the following section we shall give estimates of the direct economic losses arising from that damage in each of the three components separately.

1. Losses from exports

(a) Syrian exports to Kuwait

The value of exports to Kuwait over the first seven months of 1990 was approximately $17 million. On the basis of their monthly average, these exports were expected to reach $30 million per year. The sudden halt in exports to Kuwait caused losses to the State, exporters and producers alike. The State Treasury has been deprived of that proportion of foreign currency which exporters are obliged to exchange at official rates, or 25 per cent of the value of the exports. The market value of this currency is approximately four times greater than its nominal value, which affords the State a net surplus of 19 per cent of the value of the exports. The halt in exports to Kuwait has also inflicted a loss on exporters resulting primarily from unpaid obligations and export profits estimated at approximately 25 per cent of the value of the exports. Damage to producers has taken the form of a drop in prices for commodities made for export and similarly a fall in production levels in their enterprises, which has added to various other losses. With regard to Kuwait in particular, losses resulting from the drop in export commodity prices and the fall-off in production are estimated at approximately 30 per cent. On the basis of the foregoing, the losses resulting from the halt in exports to Kuwait for a full year are estimated at approximately $32 million, apportioned as follows:

19 per cent - losses in foreign currency to the State Treasury = $5.7 million

25 per cent - losses to exporters = $7.5 million

30 per cent - losses to producers = $19.0 million

(b) Syrian exports to other Gulf countries and to Jordan

The value of Syrian exports to the Gulf countries and Jordan, as we have indicated, was expected to reach approximately $390 million per year, of which $30 million was the expected value of exports to Kuwait. The decrease in these exports is estimated at approximately 25 per cent or $90 million. Therefore, the resulting loss is estimated at approximately $58 million apportioned as follows:

19 per cent - losses in foreign currency to the State Treasury = $17.1 million

20 per cent - losses to exporters = $18.0 million

25 per cent - losses to producers = $22.5 million

It will be noted that the loss in the value of exports used in this estimate is lower than that estimated for Kuwait because it is expected that in these cases there will be gradual adjustment to the new situation.

(c) Exports to Iraq

It is well known that there have been contacts between the Syrian Arab Republic and Iraq aimed at normalizing relations between the two countries. All the indications were that the two sides had reached a draft agreement to reopen the border between them and to resume pumping Iraqi oil through the Syrian pipeline and provide the Syrian Arab Republic with certain quantities of oil at reduced prices. However, the Syrian Government's observance of the international resolutions imposing an economic embargo on Iraq has led to halting work on what had been agreed.

This observance has deprived the Syrian Arab Republic of considerable economic gains, which are now seen as economic losses. It had been expected that Syrian exports to Iraq would grow and that transit through Syrian ports would become active. Despite insufficient data with which to estimate the losses in exports resulting from the suspension of the agreement, the history of commercial relations between the two countries suggests that Iraq had always been one of the most important traditional markets for Syrian products, in particular, clothes, textiles and certain chemical industries such as soap, plastic products and foodstuffs. There is sufficient evidence to estimate the loss in exports at no less than $100 million per year.

2. Losses from imports

As we have indicated, the exchange rate of the Syrian pound has fallen by 10 per cent from its level before the crisis. This drop has had a double impact. On the one hand, it has raised the value of exports and remittances from Syrians abroad as calculated in Syrian currency. On the other hand, however, it has raised the cost of imports as calculated in Syrian currency. The consequence of these two tendencies has been a loss for the national economy estimated at approximately $150 million per year. This estimate has been arrived at on the following basis:

(a) The value of expected exports (given by the foreign trade statistics) was approximately $2,143 million. Assuming constant import levels for the year following the date on which the crisis began, the cost of imports as calculated in Syrian currency will rise by the equivalent of $214 million (an increase of 10 per cent);

(b) The value of remittances before the crisis has been estimated at approximately $1,085 million per year. It is expected that income from these remittances will fall because of the crisis by $448 million to around $637 million (see appendix II). In view of the fall in the exchange rate of the Syrian pound, the increase in the value of remittances expected after the crisis as calculated in Syrian currency will be around $64 million;

(c) Therefore, the burden resulting from the drop in the exchange rate of the Syrian pound will be approximately $150 million.

It should be noted that in making this estimate it has been assumed that foreign exchange earnings from exports which have been paid for is equivalent to the value of imports on which customs duty has not been paid.

3. Losses from transit

Economic losses in the field of transit are estimated at approximately $100 million per year. This figure represents the expected decrease in the volume of transport to Arab Gulf countries, the expected traffic of goods to Iraq through Syrian ports and territory and the halting of flights to Kuwait.

C. Losses of foreign currency from tourism

The losses incurred in the tourist sector are basically due to the sudden halt in arrivals of summer visitors from Kuwait and the other Gulf countries, which took place at the height of the summer season. It is expected that this halt will remain in effect for the whole year following the beginning of the crisis. A substantial decrease is also expected in the number of tourists coming to the Syrian Arab Republic from other countries as a result of the crisis. In addition to the direct impact of these changes, which will be a drop in the country's foreign currency income, there will be all sorts of damage to the various tourist installations and individuals connected to that sector.

Total foreign currency losses resulting from the fall off in numbers of visitors to the country are estimated at approximately $454 million per year. This figure has been arrived at on the basis of the following considerations:

(a) It has been assumed that the number of visitors to the country during the year under study would remain at the same level as before the crisis, i.e., the number recorded in 1989;

(b) Despite the fact that some of the visitors to the country cannot be considered tourists in the generally accepted sense of the term, one should not neglect the amount of foreign currency such visitors spend during their stay in the country. Therefore, for the purposes of estimation, all visitors to the country have been considered as tourists;

(c) The estimate of foreign currency losses is in fact the product of the expected drop in the number of tourist nights spent because of the crisis and the single visitor's average expenditure per night, estimated at $150. This average includes what the visitor spends on hotel rooms or furnished flats, food, drink, transport, commodity purchases and various services;

(d) The decrease in the number of tourist nights has been estimated by assuming an average number of nights for each visitor before the crisis and the expected decrease in this number because of the crisis. A distinction has been made between nationalities in the hypothetical averages and the rates of decrease (see appendix III).

D. State Treasury losses from taxes and duties

The relevant authorities in the Syrian Arab Republic granted visitors from Kuwait (Syrians and Kuwaitis) numerous facilities in the form of customs exemptions and special exceptions from some of the customary rules and procedures in a number of domains. The government agencies, in particular public security, the customs and education authorities made exceptional efforts to absorb the sudden flow of visitors during the first days of the crisis. The following is a list of the facilities granted to those visitors:

(a) Visitors' cars were exempted from the customs duty, payable in foreign currency, of 115 dollars for each car for a stay of no more than four months inside the country. Approximately 15,000 tourist cars have entered the country since the beginning of the crisis;

(b) The period for which these cars are allowed to stay in the country was extended for a further year and their owners were exempted from the customs duties arising therefrom;

(c) Baggage accompanying the visitors was exempted from customs duty;

(d) Shipments of furniture and household effects were granted temporary entry and consequently no customs duty was levied on them. The number of such shipments is expected to reach approximately 2,000;

(e) Children of visitors have been given places in Syrian schools and universities and accepted provisionally until such time as they can produce the required school certificates;

(f) Kuwaiti hotel guests have been exempted from paying their hotel bills in foreign currency as an exception from the customary rules.

As a result of these exceptions and facilities, the State Treasury has been deprived of tax revenue estimated at $31 million.

Moreover, law No. 109 of 1989 required every Syrian working abroad to pay a yearly duty in foreign currency. The amount of this duty depends on the professional level of the expatriate in the country in which he works. The duty varies between $50 for an ordinary unskilled worker and $700 for a businessman, industrialist or professional. The annual revenue from this duty with regard to the Syrian workforce in Kuwait is estimated at approximately $18 million, of which the State Treasury has been deprived as a result of the crisis (see appendix IV).

E. Kuwaiti grant to the Syrian Arab Republic

As part of economic cooperation between the Syrian Arab Republic and Kuwait, the Government of Kuwait pays for Syrian imports of urea fertilizer from Kuwait, the value of which is $50 million per year. In view of current circumstances, the import of this product has stopped.

F. Revenue from the transit of Iraqi oil

As we have indicated, Syrian observance of international resolutions, which call for a halt of commercial transactions with Iraq, has led to a suspension of the agreement in principle which had been reached to resume pumping of Iraqi oil through the Syrian Arab Republic and to provide the Syrian Arab Republic with 4 million barrels of oil per year at under 50 per cent of the market price. The loss resulting from the halting of work under the agreement is estimated at approximately $360 million per year. This sum represents the expected revenue from the transit of the oil and the differential of the reduced price of Iraqi oil which the Syrian Arab Republic would have obtained.

III. INDIRECT ECONOMIC LOSSES

As is apparent from the foregoing, the total direct economic losses resulting from the Gulf crisis are approximately $2,179 million (see appendix V). However, this does not account for the true damage inflicted on the Syrian economy as a result of the crisis. The economic consequences of the direct losses and the ensuing complications and psychological factors has resulted in damage and losses which are greater in volume than the direct losses inflicted on the Syrian economy. It is expected that the impact of these complications will continue for a long time, giving rise to vicious circles and new losses before government efforts are able to contain them. In the absence of sufficient data, the enumeration of these complications and the estimation of the consequent losses is impractical. However, in the light of economic laws, it is legitimate to forecast some of what may happen. For example, the decrease in foreign exchange earnings will upset the balance of payments, for which severe austerity measures had been adopted in recent years. This decrease will also affect the capacity of the economy to cover the costs of a sufficient quantity of imports into the country of raw materials,

equipment and other production inputs, which in turn will have an adverse effect on production levels and employment.

One of the main inflationary effects of the crisis has been the fall in the exchange rate of the Syrian pound in neighbouring markets, which will raise the cost of imports and consequently the cost of commodities and services, in particular those which are not subject to government price controls. It will also lessen the true value of interest on bank deposits, which may affect the growth rates of the volume of deposits.

The decrease in exports will lead to a decrease in production levels in some sectors and a reduction in the growth of the gross national product. In addition to all this, the psychological impact of the crisis and the fear of not being able to contain it will curtail expansion and investment by the private sector in commodity production and service enterprises.

Appendix I

ESTIMATE OF THE LOSSES OF THE SYRIAN COMMUNITY IN KUWAIT

(Millions of Kuwaiti dinars) a/

Businessmen, contractors, craftsmen (20,000)	
Key money and equipment of commercial premises (20,000 premises x KD 30,000 x 100%)	600
Stock (20,000 premises x 40,000 x 80%)	630
Commercial vehicles (20,000 x KD 5,000 x 80%)	80
Depreciation of deposits and liquid assets (20,000 x KD 20,000 x 93%)	372
Unpaid obligations and lost deposits (20,000 x KD 5,000 x 100%)	100
Miscellaneous losses (20,000 x KD 2,000 x 100%)	40
Subtotal	1 832
Employed persons (30,000)	
Separation from service indemnities (30,000 workers x KD 500 x 10 years x 100%)	150
Depreciation of deposits and liquid assets (30,000 x KD 10,000 x 93%)	279
Lost deposits (30,000 x KD 1,000 x 100%)	30
Subtotal	459
Residential property and related losses for both categories (50,000)	
Furniture, domestic appliances, clothing (50,000 x KD 10,000 x 60%)	300
Valuables and jewellery (50,000 x KD 2,000 x 50%)	50
Private vehicles (10,000 vehicles x KD 2,000 x 100%)	20
Subtotal	370
Total	2 661

a/ The value in United States dollars should be calculated on the basis of $1 = KD 0.29.

Appendix II

ESTIMATE OF THE DECREASE IN VALUE OF TRANSFERS

1.	Total value of private-sector imports except Kuwait (official statistics)	$868 million
2.	25 per cent of public-sector imports (official statistics)	$302 million
3.	Total value of exports financed by available transfers (1+2)	$1,170 million
4.	Contribution of the Syrian community in Kuwait to the above value (assumed)	30 per cent
5.	Estimated value of the contribution of the Syrian community in Kuwait to financing imports (3x4)	$351 million
6.	Total value of private-sector imports from Kuwait (official statistics)	$25 million
7.	Contribution of the Syrian community to financing these imports (assumed)	60 per cent
8.	Contribution of the Syrian community to financing imports from Kuwait (6x7)	$15 million
9.	Average individual foreign currency savings among the workforce at home (estimate)	$5,600
10.	Syrian workforce in Kuwait (estimate)	50 000 workers
11.	Value of remittances deposited at home in foreign currency (9x10)	$280 million
12.	Value of transfers in kind each year per worker in Kuwait (estimate)	$2,400
13.	Total value of transfers in kind (10x12)	$120 million
14.	Other contributions of the Syrian community to financing imports (3-5)	$819 million
15.	Decrease in remittances from other communities (assumed)	10 per cent
16.	Decrease in remittances from other communities (14x15)	$82 million

Appendix III

ESTIMATE OF FOREIGN CURRENCY LOSSES IN THE TOURIST SECTOR

Nationality	Number of visitors in 1989 (thousands of visitors)	Average number of tourist nights per visitor before the crisis	Percentage decrease in the number of tourist nights because of the crisis	Decrease in the number of tourist nights because of the crisis (thousands of tourist nights)
1	2	3	4	5 = 2 x 3 x 4
Kuwaitis	14	20	100	280
Gulf Arabs	102	20	100	2 040
Jordanians and Lebanese	701	1	20	140
Other Arabs	80	5	25	100
Iranians	208	10	15	312
Turks	140	3	25	105
Other	118	2	20	47
Total	1 363			3 024

The loss in foreign currency is: 3,024 tourist nights x $150 = $453.6 million.

Appendix IV

ESTIMATE OF THE LOSS TO THE STATE TREASURY FROM TAXES AND DUTIES

(Thousands of United States dollars)

Emigration duty	
20,000 expatriates x $600 + 30,000 expatriates x $200	18 000
Entry duty on vehicles	
15,000 cars x $115	1 725
Prolonged stay duty on vehicles	
15,000 vehicles x $115 x 3	5 175
Customs duties on accompanying effects	
15,000 vehicles x $1,000 x 25 per cent	3 750
Customs duties on furniture shipments	
2,000 shipments x 10,000 x 75 per cent	15 000
Educational and other administrative services (rough estimate)	5 000
Total	48 650

Appendix V

TOTAL DIRECT ECONOMIC LOSSES

(Millions of United States dollars)

Decrease in transfers			
Transfers from Kuwait			
Money transfers (financing of imports)	366		
Money transfers (from savings at home)	280		
Transfers in kind (goods, presents)	120		
Subtotal		766	
Decrease in transfers from Syrians abroad elsewhere		82	
Total			848
Losses in foreign trade			
Exports			
To Kuwait	22		
To other Gulf countries and Jordan	58		
To Iraq	100		
Subtotal		180	
Imports		150	
Transit duties		100	
Total			415
Losses from tourism			
Total			454
Losses from oil			
Losses due to suspension of the Iraqi transit agreement		300	
Losses due to the differential of the reduced prices of Iraqi oil		60	
Total			360

Loss of foreign grants and aids		
Grant from Kuwait (urea fertilizer)		
Total		50
Losses to the State Treasury from taxes, duties and services		
Emigration duties	18	
Duties on importing vehicles into the country and prolonging their stay	7	
Customs duties on shipments of furniture and accompanying effects	19	
Administrative services and fees for visitors	5	
Educational services	3	
Total		52
Overall losses to the national economy		2 179

Annex II

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Djibouti

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communication received from Djibouti under Article 50 of the Charter of the United Nations, a/

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990, 674 (1990) of 29 October 1990 and 686 (1991) of 2 March 1991,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter,

Noting the information given by Djibouti a/ regarding the measures taken to give full effect to the sanctions as laid down in Security Council resolution 661 (1990), and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the statement of the representative of Djibouti,

Expressing concern at the special economic problems confronting Djibouti, a least developed country, as a result of the severance of its economic relations with Iraq and occupied Kuwait, as required by Security Council resolution 661 (1990), which are particularly difficult in terms of commercial and financial losses incurred by Djibouti,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Djibouti, as well as other States, will support the measures to ensure compliance with paragraph 2 of that resolution,

1. Commends the Government of Djibouti for the measures it has taken to comply with Security Council resolution 661 (1990);

2. Recognizes the urgent need to assist Djibouti in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait, as required by Security Council resolution 661 (1990),

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a/ S/22209, annex.

especially those losses resulting from undelivered products and suspended capital flows from Kuwait and Iraq, as well as other commercial and financial losses incurred by Djibouti;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to Djibouti to mitigate the adverse impact on its economy of the application by Djibouti of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions, and the regional development banks, to review their programmes of assistance to Djibouti with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Djibouti and to report thereon to the Security Council.

Enclosure

Immediate consequences for Djibouti of the Persian Gulf conflict

Just as is the case with all the conflicts arising in the area, the Djiboutian economy is undergoing at the present time a series of changes in the aftermath of the crisis, which has simultaneously taken a toll on its budget and the working order of the structures in all sectors.

Short term

1. Cost of stabilization of oil product prices

The initial effect of the current crisis in the Gulf is an increase in the cost of oil prices. During the last five years, the "Etablissement public pour les hydrocarbures" (public establishment for hydrocarbons) (EPH), created to stabilize the prices of oil products, has consistently generated a financial surplus, which the Treasury often resorted to whenever in difficulty. Thus, 1.2 billion Djibouti francs (DF) ($6.8 million) have in practice been contributed to the Treasury annually from this source. The year 1990, expected to be a year for the refurbishing of the fragile budgetary resources through external sources, will experience, owing to the increase in the price of oil products, a shortfall of at least DF 1.8 billion ($10.2 million) merely for the stabilization measures. The overall cost to the State towards the stabilization of the prices of the oil products will therefore reach the amount of DF 3 billion ($17 million).

With the additional bill that the Electricity Generating Board of Djibouti (EDD) will have to pay and which represents the only energy source for the production of electricity in the country, the total induced economic cost is DF 3.7 billion ($21 million), which will add an extra DF 0.7 billion to the bill of the oil imports mentioned above.

2. Loss of fiscal revenues on trading business with neighbouring countries

Without taking into account for the moment the loss relative to the commercial activity with the neighbouring Gulf countries, which is estimated at more than DF 12 billion ($68 million) as a direct loss of revenue owing to the sharp fall in the volume of trade, the State budget will forgo a further DF 1.5 billion ($8.5 million).

Consequently, owing to the new situation in the Gulf, the State budget will undergo a serious strain in the current fiscal year:

(a) Loss of earnings by EPH: DF 1.5 billion ($8.5 million);

(b) Decrease in EPH reserve: DF 1.2 billion ($6.8 million);

(c) Replenishment of the EPH stabilization fund: DF 1.8 billion ($10.2 million);

(d) Compensation to EDD to maintain the current rate of electricity: DF 700 million ($4 million).

Total budgetary constraints under this category are DF 5.2 billion ($30 million).

3. Higher importation and transport costs

Without in any way minimizing the adverse impact of external and internal economic factors operating in Djibouti and taking into account the daily upswing in the general price, the rise in the air and maritime transport costs is just another sign of the abnormality of the international situation. We must admit that a rise of no less than 15 per cent will hit our total imports. The loss to our economy will be at least DF 5.25 billion ($30 million), which will affect our foreign reserves and will further disrupt the livelihood of the population. This is, of course, a direct corollary of the risks engulfing our region as a result of the conflict.

4. Activities of small businesses

The volume of transactions of small businesses with the countries of the Gulf region is estimated at DF 12 billion ($67.7 million) a year at least. A loss in the amount of nearly DF 4 billion ($22.6 million) has been estimated. This activity is usually carried out by families without fixed income that constitute the informal sector of our economy.

5. Suspension of implementation of externally funded projects by Kuwait

Taking into account only those projects that are now in the process of execution through financing from the Arab Fund for Economic and Social Development in Kuwait, Djibouti is definitely confronted with the indefinite suspension of two important projects:

(a) The second phase of the extension of the container terminal at the port. This hold-up will frustrate our development strategy for the next decade. The programme involved the extension of the platform of the container terminal plus civil engineering works, at a cost of DF 3,375 million ($19 million), of which half was to be provided by Kuwait and the remaining balance by Saudi Arabia;

(b) Rehabilitation and extension of the airport. Only recently a contractor was selected and is in the process of executing the project.

Together with Saudi Arabia and the United Arab Emirates, Kuwait is also a major financier of this project, putting in almost 50 per cent of the overall

requirements: DF 1,462 million ($8.25 million). The project covers the improvement of facilities, renovation of the runway and development studies.

6. Other projects fully funded by Kuwait

(a) Ministry of Education. A Junior high school planned to be constructed at Balbala at a total cost of DF 540 million ($3 million);

(b) Electricity Generating Board of Djibouti. A training centre under consideration for financing by the Arab Fund (in Kuwait) and the Kuwaiti Fund, estimated at DF 302 million ($1.7 million);

(c) Ministry of Interior, Posts and Telecommunications. A building annex scheduled to be constructed with financing from the Arab Fund (Kuwait) and the Kuwaiti Fund, estimated at DF 264 million ($1.5 million);

(d) Ministry of Agriculture and Rural Development. Institutional reinforcement estimated at DF 30 million ($170,000) was expected to be financed by the Arab Fund (in Kuwait).

7. Projects with Iraq

Several development projects on the basis of outright grants were under serious consideration by the Iraqi Government prior to the present crisis. These chiefly consisted of:

(a) Construction of 150 low-cost housing units, including civil engineering works, estimated at DF 4.5 billion ($25.5 million);

(b) Provision and plantation of 55,000 date palms for environmental reasons, and the estimate was DF 980 million ($5.5 million).

The total value of projects with Iraq now in jeopardy as a result of this conflict is DF 5,550 million ($31.3 million).

Summary of adverse economic impact

	(billions of Djibouti francs)	(millions of dollars)
1. Stabilization cost of oil product prices:		
Fall of contribution to the public Treasury by EPH	1.2	6.8
Shortfall in the stabilization fund	1.8	10.2
Additional cost to the Electricity Board	0.7	4.0
Subtotal	3.7	21.0
2. Budget loss on small businesses		
Loss of revenue in the budget	1.5	8.5
3. Increase in the price of imported goods		
15 per cent of the total amount of imports	5.250	30.0
4. Reduction of trading in the informal sector (small businesses)		
Loss of revenues	4.0	22.6
5. Suspension of projects with Kuwaiti Fund and the Arab Fund		
Second-phase of the Djibouti post development	1.6	9.0
- Restoration of Djibouti airport	1.5	8.5
- Junior secondary school	0.540	3.0
- Training Centre, EDD	0.300	1.7
- Institutional reinforcement in agriculture	0.030	0.170
Subtotal	4.010	22.370

	(billions of Djibouti francs)	(millions of dollars)
6. Suspension of projects with Iraq		
Construction of 150 units subsidized housing	4.5	25.5
Programme for 55,000 date palms	0.980	5.5
Subtotal	5.480	31.0
GRAND TOTAL	23.940	a/

a/ Approximately $140 million.